



Ga Segonyana Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2015

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### Abbreviations

ACIP	Accelerated Community Infrastructure Program
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DME	Department of Minerals and Energy
EPWP	Expanded Public Works Program
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Office
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
ME's	Municipal Entities
MIG	Municipal Infrastructure Grant (Previously CMIP)
MWIG	Municipal Water Infrastructure Grant
RBIG	Regional Bulk Infrastructure Grant
RBIG	Regional Bulk Infrastructure Grant
RHIG	Rural Housing Infrastructure Grant
SA GAAP	South African Statements of Generally Accepted Accounting Practice
UIF	Unemployment Insurance Fund

# **Ga Segonyana Local Municipality**

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## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatements or deficiencies.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 59.

The annual financial statements set out on pages 59 to 117, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015.

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**Municipal Manager**

## **Audit Committee Report**

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# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Audit Committee Report

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### 1. AUDIT COMMITTEE MANDATE

The Audit and Performance Committee as appointed by the Council hereby presents its report to Ga-Segonyana Local Municipality Councilors in accordance with the Committee Charter as required by the Municipal Financial Management Act (MFMA), section 166.

### 2. ATTENDANCE OF MEETINGS

The Audit and Performance Committee consists of five independent members, and as referenced in the Charter and Auditor General guidelines, the committee must hold at least four meetings per year (financial year) Section 166 of the Municipal Finance Management Act, 2003 (Act 56 of 2003) applies in this instance.

During the year under review the committee extended its invitation to the Accounting officer of the Municipality together with his section 57 managers, the Chief Risk Officer and to the Director Internal Audit, as and when required.

The Auditor General was also invited to engage with the Audit and Performance Committee, in order to strengthen relations, but more so to keep abreast of developments within the municipality and to solicit their support and advice on technical matters that could have an impact on financial year end matters.

During the year under review, meetings were held to discuss matters relating to risk management, internal control, governance processes, progress review on the implementation of internal and external audit findings and the financial statements.

#### Attendance Register for the period under review

Name of Member	Number of meetings held during the year	Number of meetings attended during the year
Mr. A. Kekesi	6	3
Ms. S. Motlhabane	6	4
Ms. L. Dhlamini	6	6
Mr. S. Simelane	6	4
Mr. AB. Ngobeni	6	2
Mr. S. Madikizela [Resigned 12/12/2014]	6	1

### 3. ROLES AND RESPONSIBILITY OF THE AUDIT AND PERFORMANCE COMMITTEE

The committee has ensured as far as possible that it complies with its responsibility arising from the Municipal Finance Management Act, No. 56 of 2003, and its Audit and Performance Committee Charter.

- The Audit and Performance Committee held several meetings with management of Ga-Segonyana Local Municipality and provided guidance on financial and performance matters.
- The review highlighted quite a few weaknesses on the effectiveness of the Municipalities control environment.
- The committee experienced challenges in ensuring that quarterly meetings are held with Council

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Audit Committee Report

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### 4. EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROL

The following issues are highlighted by the Audit and Performance Committee as points of concern:

- Insufficient preventative control measures, Ineffective monitoring of controls,
- Non adherence to policies and procedures,
- Repeat internal audit findings (performance management and MFMA Compliance audit)
- Repeat external audit findings
- Management's failure to respond sufficiently to audit findings thus depriving the process of root cause analysis
- No consequence management and Ineffective oversight structures

### 5. RISK MANAGEMENT

Risk assessment has been performed for the Municipality

Date	Status	Progress
02/12/2014	Assessment done	Risk Committee is in place. There is an independent chairperson. Risk management is prioritized by management.
	Impact on risk shared service	Risk register is used as a tool to manage risk. Agreed action plans on risk register are not followed up. Risk assessments should be done with due consideration of the Municipality's strategy and approved timely. Risk based audits can be achieved through proper planning and coordination between management and Risk unit. Continuous absence of Chief Risk Officer is a serious compromise to risk management. A service level agreement between the Municipality and the District's shared service (risk) needs to be monitored by the Compliance Officer, the Chief Financial Officer and the Municipal Manager to ensure the effectiveness of the service rendered.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Audit Committee Report

### 6. INTERNAL AUDIT

The internal audit function appears to be partially effective in respect of its functioning. The Audit and Performance Committee has approved the Internal Audit Charter for the year under review.

Improvement is required in terms of preparation of risk based audit plans and the delivering against the said plans.

Capacity has been augmented during the year under review in order to ensure that all audits are performed.

- Validation of performance information
- Municipal Finance Management Act Compliance
- Assets
- Supply Chain management

The audit parameter report (audit action plan) based on the AG's report has been prepared and reviewed for the Municipality. Improvement is noted in terms of implementation of the Auditors General's findings.

Concern is raised about management's attitude towards the following factors:

Implementing internal audit findings

Turnaround time in terms of management's response to internal audit requests for information

Delays by management in terms of providing responses to internal audit queries thereby delaying improving the municipalities control environment.

### COMPLIANCE WITH LAWS AND REGULATION

#### Audits performed and outcome for Q2, Q3 and Q4

Audits	Outcome
Quarter 2 1. MFMA 2. Performance Management System 3. Supply Chain Management	Non-compliance identified Weaknesses identified Non-compliance identified
Quarter 3 1. MFMA 2. Performance Management System 3. Assets	Non-compliance identified Weaknesses identified Non-compliance identified
Quarter 4 The following audits are in the process of being finalized: 1. MFMA 2. Performance Management System	Non-compliance identified Non-compliance identified
REFER TO ANNEXURE A FOR FINDINGS	

### REVIEW AND EVALUATION OF THE QUARTERLY FINANCIAL STATEMENTS

No quarterly financial statements were available for the period under review.

To date quarterly financial statements have not been presented to the Audit and Performance Committee for review.

#### Matters of concern from the Audit and Performance Committee:

- Completeness of Revenue
- Reconciliation of balance sheet accounts
- The municipality has acquired a new system CaseWare in order to prepare their own financials, although progressive, there could be challenges Transactions must be processed on a monthly basis
- Review of the budgets, actual expenditure and monitoring of variances.
- Corrective action to be taken for all aged items on an ongoing basis (unreconciled prior year figures) and
- Following up on all IT and Performance Management External Audit Findings Performance Management

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Audit Committee Report

### 7. EXTERNAL AUDIT

The Audit Committee discussed the audit findings for the 2014/2015 year with management.

Opinion	Number of findings	Repeat findings
Disclaimer	167	Property, plant and equipment Depreciation and amortization Unauthorised expenditure Commitments Irregular expenditure Contingent liabilities Revenue, just to mention a few.

### CONCLUSION AND RECOMMENDATION

Management should also endeavour to reap more benefits from the activities of the internal audit function and risk management in order to improve the control environment of the municipality. A turn-around strategy document must be presented to council in the next council meeting by management.

The Audit Committee would like to advise Counsel as follows:

Issue	Recommendation
Performance management	Matter to be referred to MPAC to review and monitor the ff: Monitor the implementation of all internal audit reports. Management to provide internal audit with all documentation supporting targets achieved as previously requested. Monitor the implementation of all findings concerning Performance from Auditor General and ensure compliance. MPAC to report progress / findings in the next Council meeting. Municipal Manager to take disciplinary action for failure to implement above.
Supply Chain Audit & Assets audit	Follow up audit on supply chain and asset management audit must be performed by internal audit. MPAC to report all fruitless & wasteful, irregular and unauthorised expenditure quarterly to council. The MM to review all fruitless & wasteful, irregular and unauthorized expenditure registers monthly and take corrective action to avoid re-occurrence.
Review of the organogram and controls in the office of the CFO	Assessment of segregation of duties. Assess performance of officers against set targets. Train officials on the accounting system, GRAP and MFMA over the next 4 (four) months. Audit access profiles. Implement performance improvement plan over the next 6 (six) months on non-performing officials.
General	All departments to implement AGSA recommendations and establish a task team to monitor and report on a monthly. It must be a standing item on the agendas of the following meetings: <ul style="list-style-type: none"><li>- Monthly management meetings</li><li>- Mayoral committee</li><li>- Finance committee</li><li>- Audit and Performance committee</li></ul>



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Audit Committee Report

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### FINANCIAL STATEMENTS

A review of the 2014/15 Annual Financial Statements was undertaken on 24 August 2015 by the Audit and Performance Committee. The review notes were communicated to management on 25 August 2015. The committee is satisfied that the annual financial statements of the municipality, in all material respects, comply with GRAP reporting standards. The following also needs to be updated on the 2014/15 annual financial statements for completeness on disclosure:

- Transactions with relatives exceeding R2 000
- Losses on electricity and water during the year under review, if any

### GOING CONCERN

The going concern assumption of the municipality was reviewed and it was noted that there is a heavy reliance on grants and that the current expenses/liabilities, if not correctly managed, could have serious negative repercussions on the cash flow of the municipality.

**The Audit and Performance Committee recommends that Council adopts this oversight report together with the revised 2014/15 annual financial statements.**

Note \* The annual performance report has been reviewed by the Audit and Performance Committee. However, the amendments to the report have not yet been finalised by management.

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Mr. A. Kekesi  
Chairperson of the Audit and  
Performance Committee Shared Service

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Date:

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Approved by:  
Council Speaker

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Date:

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# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2015.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year x number of meetings were held.

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review. It was however noted that..... (e.g. suspense accounts were not cleared on a monthly basis).

### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the accounting officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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**Chairperson of the Audit Committee**

# **Ga Segonyana Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

## **Audit Committee Report**

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Date: \_\_\_\_\_

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	22 053 151	26 640 010
Receivables from non-exchange transactions	3	13 354 786	7 481 464
VAT receivable	4	3 114 246	-
Consumer debtors	5	28 526 388	16 421 847
Cash and cash equivalents	7	812 068	12 543 739
		<b>67 860 639</b>	<b>63 087 060</b>
<b>Non-Current Assets</b>			
Investment property	8	1 663 123	1 500 000
Property, plant and equipment	9	1 025 482 079	974 442 758
Intangible assets	10	481 427	657 844
Heritage assets	11	1 650 000	1 650 000
Long term loan receivable	6	389 569	-
		<b>1 029 666 198</b>	<b>978 250 602</b>
<b>Total Assets</b>		<b>1 097 526 837</b>	<b>1 041 337 662</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	12	2 293 905	2 190 551
Finance lease obligation	13	738 597	1 087 673
Payables from exchange transactions	14	30 632 635	18 695 793
Payables from non-exchange transactions	15	6 294 589	7 894 279
VAT payable	16	-	510 726
Consumer deposits	17	3 076 154	2 656 475
Employee benefit obligation	18	937 212	1 136 163
Unspent conditional grants and receipts	19	7 944 174	6 069 796
Other liabilities		37 900	14 829
Bank overdraft	7	181 117	-
		<b>52 136 283</b>	<b>40 256 285</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	12	21 721 539	24 016 328
Finance lease obligation	13	844 815	975 005
Employee benefit obligation	18	24 202 731	22 802 264
Provisions	20	10 767 922	10 164 920
		<b>57 537 007</b>	<b>57 958 517</b>
<b>Total Liabilities</b>		<b>109 673 290</b>	<b>98 214 802</b>
<b>Net Assets</b>		<b>987 853 547</b>	<b>943 122 860</b>
Reserves			
Revaluation reserve	21	34 569 850	34 569 850
Accumulated surplus		953 283 697	908 553 010
<b>Total Net Assets</b>		<b>987 853 547</b>	<b>943 122 860</b>

\* See Note 39

# Ga Segonyana Local Municipality

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## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	104 305 432	95 794 843
Rendering of services		355 574	513 352
Rental of facilities and equipment	23	1 406 614	1 242 898
Interest received (trading)		4 080 083	1 284 825
Licences and permits		3 914 476	3 815 354
Sale of stands		5 566 325	8 112 346
Other income		2 243 223	3 847 866
Interest received - investment	24	1 693 142	1 401 029
<b>Total revenue from exchange transactions</b>		<b>123 564 869</b>	<b>116 012 513</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	26 115 305	19 812 771
<b>Transfer revenue</b>			
Government grants & subsidies	26	185 633 769	165 553 453
Public contributions and donations		19 528 276	25 552 394
Fines, Penalties and Forfeits	27	13 999 285	8 339 144
<b>Total revenue from non-exchange transactions</b>		<b>245 276 635</b>	<b>219 257 762</b>
<b>Total revenue</b>	27	<b>368 841 504</b>	<b>335 270 275</b>
<b>Expenditure</b>			
Employee related costs	28	(88 696 234)	(75 813 839)
Remuneration of councillors	29	(7 001 715)	(6 743 473)
Depreciation and amortisation	30	(49 148 848)	(43 156 857)
Impairment loss/ Reversal of impairments		(2 429 491)	-
Finance costs	31	(3 041 883)	(2 651 878)
Operating lease rentals		(677 715)	(1 305 822)
Debt Impairment		(23 703 692)	1 439 762
Repairs and maintenance		(41 153 311)	(44 707 401)
Bulk purchases	32	(52 314 575)	(61 139 279)
Contracted services	33	(3 317 696)	(3 049 560)
Grants funded expenditure	34	(4 942 555)	(12 002 379)
General expenses	35	(45 079 714)	(53 245 837)
<b>Total expenditure</b>		<b>(321 507 429)</b>	<b>(302 376 563)</b>
<b>Operating surplus</b>		<b>47 334 075</b>	<b>32 893 712</b>
(Loss)/Gain on disposal of assets		(381 542)	195 638
<b>Surplus for the year</b>		<b>46 952 533</b>	<b>33 089 350</b>

\* See Note 39

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	(78 466 343)	942 343 441	863 877 098
Adjustments			
Prior year adjustments	-	(66 879 781)	(66 879 781)
	<b>(78 466 343)</b>	<b>875 463 660</b>	<b>796 997 317</b>
Surplus for the year	-	33 089 350	33 089 350
Prior year adjustments	113 036 193	-	113 036 193
	113 036 193	33 089 350	146 125 543
Opening balance as previously reported	34 569 850	991 772 330	1 026 342 180
Adjustments			
Prior year adjustments	-	(85 441 166)	(85 441 166)
<b>Restated* Balance at 01 July 2014 as restated*</b>	<b>34 569 850</b>	<b>906 331 164</b>	<b>940 901 014</b>
Surplus for the year	-	46 952 533	46 952 533
Total changes	-	46 952 533	46 952 533
<b>Balance at 30 June 2015</b>	<b>34 569 850</b>	<b>953 283 697</b>	<b>987 853 547</b>

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\* See Note 39

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		152 879 667	150 253 995
Grants		193 971 567	159 898 947
Interest income		1 693 142	1 401 029
		<u>348 544 376</u>	<u>311 553 971</u>
<b>Payments</b>			
Employee costs		(88 696 234)	(74 606 775)
Suppliers		(160 855 637)	(120 699 493)
Finance costs		(3 041 883)	(2 651 878)
Other payments		(3 180 658)	-
		<u>(255 774 412)</u>	<u>(197 958 146)</u>
<b>Net cash flows from operating activities</b>	36	<b><u>92 769 964</u></b>	<b><u>113 595 825</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(97 812 298)	(120 276 083)
Proceeds from sale of property, plant and equipment	9	-	195 638
Purchase of investment property	8	(163 123)	(839 000)
Proceeds from sale of other intangible assets	10	176 417	207 391
Proceeds from sale of financial assets		-	36 000
Purchase of long term loan receivable		(389 569)	-
<b>Net cash flows from investing activities</b>		<b><u>(98 188 573)</u></b>	<b><u>(120 712 054)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(2 191 435)	-
Movement in other liabilities		23 071	-
Finance lease payments		(479 266)	2 062 678
Finance lease receipts		-	(1 472 333)
<b>Net cash flows from financing activities</b>		<b><u>(2 647 630)</u></b>	<b><u>590 345</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(8 066 239)</u></b>	<b><u>(6 525 884)</u></b>
Cash and cash equivalents at the beginning of the year		12 543 739	19 893 500
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>4 477 500</u></b>	<b><u>12 543 739</u></b>

The accounting policies on pages 68 to 84 and the notes on pages 85 to 117 form an integral part of the annual financial statements.

\* See Note 39

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	123 639 890	(7 065 000)	<b>116 574 890</b>	104 305 432	<b>(12 269 458)</b>	2
Rendering of services	-	-	-	355 574	<b>355 574</b>	
Rental of facilities and equipment	1 896 309	(68 000)	<b>1 828 309</b>	1 406 614	<b>(421 695)</b>	
Interest received (trading)	1 139 208	2 700 000	<b>3 839 208</b>	4 080 083	<b>240 875</b>	
Agency services	1 572 559	200 000	<b>1 772 559</b>	-	<b>(1 772 559)</b>	
Licences and permits	3 361 761	(44 000)	<b>3 317 761</b>	3 914 476	<b>596 715</b>	
Sale of Stands	20 000 000	-	<b>20 000 000</b>	5 566 325	<b>(14 433 675)</b>	1
Other income	14 944 625	(2 062 300)	<b>12 882 325</b>	2 243 223	<b>(10 639 102)</b>	
Interest received - investment	-	-	-	1 693 142	<b>1 693 142</b>	
<b>Total revenue from exchange transactions</b>	<b>166 554 352</b>	<b>(6 339 300)</b>	<b>160 215 052</b>	<b>123 564 869</b>	<b>(36 650 183)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	33 536 654	(500 000)	<b>33 036 654</b>	26 115 305	<b>(6 921 349)</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	98 754 000	4 579 404	<b>103 333 404</b>	185 633 769	<b>82 300 365</b>	
Public contributions and donations	-	-	-	19 528 276	<b>19 528 276</b>	
Fines, Penalties and Forfeits	4 300 552	(2 000 000)	<b>2 300 552</b>	13 999 285	<b>11 698 733</b>	
<b>Total revenue from non-exchange transactions</b>	<b>136 591 206</b>	<b>2 079 404</b>	<b>138 670 610</b>	<b>245 276 635</b>	<b>106 606 025</b>	
<b>Total revenue</b>	<b>303 145 558</b>	<b>(4 259 896)</b>	<b>298 885 662</b>	<b>368 841 504</b>	<b>69 955 842</b>	
<b>Expenditure</b>						
Personnel	(85 702 924)	3 584 816	<b>(82 118 108)</b>	(88 696 234)	<b>(6 578 126)</b>	
Remuneration of councillors	(6 601 524)	(155 000)	<b>(6 756 524)</b>	(7 001 715)	<b>(245 191)</b>	
Depreciation and amortisation	(37 639 324)	-	<b>(37 639 324)</b>	(49 148 848)	<b>(11 509 524)</b>	3
Impairment loss/ Reversal of impairments	(55 310)	-	<b>(55 310)</b>	(2 429 491)	<b>(2 374 181)</b>	
Finance costs	(2 964 073)	-	<b>(2 964 073)</b>	(3 041 883)	<b>(77 810)</b>	
Operating lease rentals	-	-	-	(677 715)	<b>(677 715)</b>	
Bad debts written off	(449 530)	-	<b>(449 530)</b>	(23 703 692)	<b>(23 254 162)</b>	4
Repairs and maintenance	-	-	-	(41 153 311)	<b>(41 153 311)</b>	5
Bulk purchases	(60 765 720)	-	<b>(60 765 720)</b>	(52 314 575)	<b>8 451 145</b>	
Contracted Services	(7 740 000)	(332 200)	<b>(8 072 200)</b>	(3 317 696)	<b>4 754 504</b>	
Transfers and Subsidies	(3 336 264)	(253 983)	<b>(3 590 247)</b>	(4 942 555)	<b>(1 352 308)</b>	
General Expenses	(88 745 859)	(218 282)	<b>(88 964 141)</b>	(45 079 714)	<b>43 884 427</b>	
<b>Total expenditure</b>	<b>(294 000 528)</b>	<b>2 625 351</b>	<b>(291 375 177)</b>	<b>(321 507 429)</b>	<b>(30 132 252)</b>	
<b>Operating surplus</b>	<b>9 145 030</b>	<b>(1 634 545)</b>	<b>7 510 485</b>	<b>47 334 075</b>	<b>39 823 590</b>	
Loss on disposal of assets and liabilities	-	-	-	(381 542)	<b>(381 542)</b>	
<b>Surplus before taxation</b>	<b>9 145 030</b>	<b>(1 634 545)</b>	<b>7 510 485</b>	<b>46 952 533</b>	<b>39 442 048</b>	



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>9 145 030</b>	<b>(1 634 545)</b>	<b>7 510 485</b>	<b>46 952 533</b>	<b>39 442 048</b>	
<b>Reconciliation</b>						

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	21 527 047	(17 984 331)	3 542 716	22 053 151	18 510 435	
Other Debtors	4 769 705	-	4 769 705	-	(4 769 705)	6
Receivables from non-exchange transactions	-	-	-	13 354 786	13 354 786	
VAT receivable	-	-	-	3 114 246	3 114 246	
Consumer debtors	28 285 800	-	28 285 800	28 526 388	240 588	6
Other debtors	270 734	-	270 734	-	(270 734)	
Cash and cash equivalents	34 060 673	(32 755 374)	1 305 299	812 068	(493 231)	
	<b>88 913 959</b>	<b>(50 739 705)</b>	<b>38 174 254</b>	<b>67 860 639</b>	<b>29 686 385</b>	

##### Non-Current Assets

Investment property	704 000	(43 000)	661 000	1 663 123	1 002 123	
Property, plant and equipment	1 161 800 008	(130 047 190)	1 031 752 818	1 025 482 079	(6 270 739)	
Biological Asset	1 584 840	(1 584 840)	-	-	-	
Intangible assets	93 488	564 356	657 844	481 427	(176 417)	
Heritage assets	465 395	-	465 395	1 650 000	1 184 605	
Long term loan receivable	-	-	-	389 569	389 569	
	<b>1 164 647 731</b>	<b>(131 110 674)</b>	<b>1 033 537 057</b>	<b>1 029 666 198</b>	<b>(3 870 859)</b>	

#### Total Assets

<b>1 253 561 690</b>	<b>(181 850 379)</b>	<b>1 071 711 311</b>	<b>1 097 526 837</b>	<b>25 815 526</b>	
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#### Liabilities

##### Current Liabilities

Other financial liabilities	-	-	-	2 293 905	2 293 905	
Finance lease obligation	-	-	-	738 597	738 597	
Payables from exchange transactions	24 535 255	(8 150 484)	16 384 771	30 632 635	14 247 864	
Payables from non-exchange transactions	-	-	-	6 294 589	6 294 589	
Consumer deposits	-	-	-	3 076 154	3 076 154	
Employee benefit obligation	-	-	-	937 212	937 212	
Unspent conditional grants and receipts	-	-	-	7 944 174	7 944 174	
Provisions	478 603	2 431 397	2 910 000	-	(2 910 000)	7
Other liability 1	2 562 201	-	2 562 201	-	(2 562 201)	
Other liabilities	-	-	-	37 900	37 900	
Borrowings	2 400 000	-	2 400 000	-	(2 400 000)	
Bank overdraft	-	-	-	181 117	181 117	
	<b>29 976 059</b>	<b>(5 719 087)</b>	<b>24 256 972</b>	<b>52 136 283</b>	<b>27 879 311</b>	

##### Non-Current Liabilities

Other financial liabilities	3 705 000	22 051 945	25 756 945	21 721 539	(4 035 406)	
Finance lease obligation	-	-	-	844 815	844 815	
Employee benefit obligation	-	-	-	24 202 731	24 202 731	
Provisions	-	-	-	10 767 922	10 767 922	
	<b>3 705 000</b>	<b>22 051 945</b>	<b>25 756 945</b>	<b>57 537 007</b>	<b>31 780 062</b>	

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Total Liabilities</b>	<b>33 681 059</b>	<b>16 332 858</b>	<b>50 013 917</b>	<b>109 673 290</b>	<b>59 659 373</b>	
<b>Net Assets</b>	<b>1 219 880 631</b>	<b>(198 183 237)</b>	<b>1 021 697 394</b>	<b>987 853 547</b>	<b>(33 843 847)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Revaluation reserve	-	-	-	34 569 850	<b>34 569 850</b>	
Accumulated surplus	1 219 880 631	(198 183 237)	<b>1 021 697 394</b>	953 283 697	<b>(68 413 697)</b>	
<b>Total Net Assets</b>	<b>1 219 880 631</b>	<b>(198 183 237)</b>	<b>1 021 697 394</b>	<b>987 853 547</b>	<b>(33 843 847)</b>	

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sale of goods and services	177 227 055	(34 409 905)	<b>142 817 150</b>	-	<b>(142 817 150)</b>
Grants - Operating	98 754 000	4 579 404	<b>103 333 404</b>	-	<b>(103 333 404)</b>
Grants - Capital	96 197 000	1 967 652	<b>98 164 652</b>	-	<b>(98 164 652)</b>
Interest income	1 082 248	2 756 960	<b>3 839 208</b>	-	<b>(3 839 208)</b>
	<b>373 260 303</b>	<b>(25 105 889)</b>	<b>348 154 414</b>	-	<b>(348 154 414)</b>

##### Payments

Suppliers	(253 289 755)	26 408 222	<b>(226 881 533)</b>	-	<b>226 881 533</b>
Finance costs	(2 964 073)	-	<b>(2 964 073)</b>	-	<b>2 964 073</b>
Transfers and Grants	-	(3 590 247)	<b>(3 590 247)</b>	-	<b>3 590 247</b>
	<b>(256 253 828)</b>	<b>22 817 975</b>	<b>(233 435 853)</b>	-	<b>233 435 853</b>

<b>Net cash flows from operating activities</b>	<b>117 006 475</b>	<b>(2 287 914)</b>	<b>114 718 561</b>	-	<b>(114 718 561)</b>
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#### Cash flows from investing activities

Purchase of property, plant and equipment	(128 705 176)	4 042 348	<b>(124 662 828)</b>	-	<b>124 662 828</b>
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#### Cash flows from financing activities

Repayment of other financial liabilities	(2 400 000)	(1 305 000)	<b>(3 705 000)</b>	-	<b>3 705 000</b>
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Net increase/(decrease) in cash and cash equivalents	(14 098 701)	449 434	<b>(13 649 267)</b>	-	<b>13 649 267</b>
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Cash and cash equivalents at the beginning of the year	48 159 374	(33 204 808)	<b>14 954 566</b>	-	<b>(14 954 566)</b>
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<b>Cash and cash equivalents at the end of the year</b>	<b>34 060 673</b>	<b>(32 755 374)</b>	<b>1 305 299</b>	-	<b>(1 305 299)</b>
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# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded off to the nearest Rand.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables

The municipality assesses its trade receivables, for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the municipality, supplemented by experience of similar transactions and, in some, cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalty arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.4 Investment property (continued)

- Land held for a currently undetermined future use (if the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	
• Improvements	5-50years
Infrastructure	
• Electricity	10 - 50years
• Railways	30years
• Roads and Paving	05 - 80years
• Sanitation	10 - 55years
• Sewerage/ Solid Waste	05 - 80years
• Water	05 - 80years
Community	
• Communal Facilities	05 - 50years
• Recreational Facilities	10 - 40years
Other property equipment	
• Computer Equipment	05 - 10years
• Emergency Equipment	05 - 10years
• Furniture and Fittings	05 - 15years
• Motor Vehicles	07 - 10years
• Office Equipment	05 - 15years
• Plant and Equipment	02 - 15years
• Specialist Services	10 - 15years
• Other Assets	05 -15years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical existence.

An asset is identifiable if it is either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

### 1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.7 Heritage assets (continued)

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A financial asset is:

- cash;
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

##### Class

Receivables  
Cash

##### Category

Financial asset measured at amortised cost  
Fair Value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

##### Class

Payables

##### Category

Financial liability measured at amortised cost

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.8 Financial instruments (continued)

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value.

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

#### Impairment and uncollectibility of financial assets

The Municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### Derecognition

##### Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the Weighted Average Cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

### 1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.



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### 1.14 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

### 1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

### 1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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### 1.16 Revenue from non-exchange transactions (continued)

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.21 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.22 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the accounting period from 2014-07-01 to 2015-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note .

Comparative information is not required.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

### 1.23 Events after reporting date

There were no significant post balance sheet events that affected the annual financial statements as at 30 June 2015.

### 1.24 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and

## Accounting Policies

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### 1.24 Expenditure (continued)

- All expenditure has been dealt with in terms of the above definition and recognition criteria.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.
- Repairs and Maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk electricity;
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- Transfers and grants which relate to expenditure pertaining to free basic services; and
- General Expenses which constitute several expense items which are not individually significant.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>2. Inventories</b>		
Other inventories for sale	20 533 320	22 688 143
Consumable stores	1 604 426	3 916 324
Water	41 240	95 024
	<b>22 178 986</b>	<b>26 699 491</b>
Inventories (write-downs)	(125 835)	(59 481)
	<b>22 053 151</b>	<b>26 640 010</b>
<b>3. Receivables from non-exchange transactions</b>		
Rentals	214 146	206 836
Traffic fines	12 339 232	6 079 405
Motor vehicles and housing loans	543 655	63 777
Sale of stands	400 061	400 061
Levies from municipal houses	48 023	25 728
Deposits	609 738	609 738
Sundry receivables	4 270 262	4 111 390
Impairment of non-exchange receivables	(5 251 096)	(4 015 470)
	<b>13 174 021</b>	<b>7 481 465</b>
<b>4. VAT receivable</b>		
VAT	3 114 246	-

VAT is accounted for on an accrual basis. However, it is payable/refundable from SARS on a cash basis.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>5. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	22 971 592	15 349 187
Electricity	17 498 032	8 763 060
Water	4 969 053	3 680 496
Sewerage	12 116 614	10 231 446
Refuse	7 426 493	6 167 789
Other	9 467 766	8 704 952
	<b>74 449 550</b>	<b>52 896 930</b>
<b>Less: Allowance for impairment</b>		
Impairment	(45 923 162)	(36 475 082)
<b>Net balance</b>		
Net	28 526 388	16 421 851
<b>Rates</b>		
Current	575 692	-
31 - 60 days	292 076	275 033
61 - 90 days	256 386	230 395
91 - 120 days	219 047	186 780
121 - 365 days	204 017	980 047
> 365 days	21 424 374	13 676 932
	<b>22 971 592</b>	<b>15 349 187</b>
<b>Electricity</b>		
Current	12 324 103	3 889 744
31 - 60 days	703 119	915 829
61 - 90 days	588 209	463 542
91 - 120 days	559 880	341 625
121 - 365 days	2 119 547	1 520 068
> 365 days	1 203 174	1 632 252
	<b>17 498 032</b>	<b>8 763 060</b>
<b>Water</b>		
Current	1 700 721	836 896
31 - 60 days	407 787	453 391
61 - 90 days	300 886	228 887
91 - 120 days	290 219	165 669
121 - 365 days	981 873	805 744
> 365 days	1 287 567	1 189 910
	<b>4 969 053</b>	<b>3 680 497</b>
<b>Sewerage</b>		
Current	1 328 621	768 374
31 - 60 days	367 986	351 599
61 - 90 days	333 136	281 890
91 - 120 days	298 249	247 235
121 - 365 days	1 546 857	1 384 528
> 365 days	8 241 765	7 197 820
	<b>12 116 614</b>	<b>10 231 446</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Refuse</b>		
Current	766 647	409 487
31 - 60 days	204 588	192 790
61 - 90 days	180 313	160 831
91 - 120 days	164 863	142 228
121 - 365 days	918 944	837 465
> 365 days	5 191 138	4 424 990
	<b>7 426 493</b>	<b>6 167 791</b>
<b>Other</b>		
Current	1 621 250	916 657
31 - 60 days	471 284	300 704
61 - 90 days	4 127 372	224 583
91 - 120 days	(485 762)	192 133
121 - 365 days	2 969 564	1 018 775
> 365 days	764 058	6 052 100
	<b>9 467 766</b>	<b>8 704 952</b>
<b>Consumer debtors past due but not impaired</b>		
1 month past due	20 763 874	2 351 793
2 months past due	5 786 302	1 452 734
3 months past due	1 976 212	4 773 060
	<b>28 526 388</b>	<b>8 577 587</b>
<b>6. Loans Receivable</b>		
Housing loans and trades with arrangements	389 569	-
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	6 050	6 050
Bank balances	777 533	147 592
Short-term deposits	28 485	12 390 097
Bank overdraft	(181 117)	-
	<b>630 951</b>	<b>12 543 739</b>
Current assets	812 068	12 543 739
Current liabilities	(181 117)	-
	<b>630 951</b>	<b>12 543 739</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA BANK - CALL ACCOUNT - 9264748829	90 582	12 234 275	13 103 626	28 485	12 390 097	28 485
ABSA BANK - CHEQUE ACC - 4052183325	1 886 553	3 845 877	-	574 735	53 127	(21 360 034)
ABSA BANK - CHEQUE ACC - 4060204391	45 407	150 134	(305 494)	(91 674)	(5 184)	(181 117)
ABSA BANK - CHEQUE ACC - 4080444513	99 291	100 149	-	99 132	99 648	99 132
<b>Total</b>	<b>2 121 833</b>	<b>16 330 435</b>	<b>12 798 132</b>	<b>610 678</b>	<b>12 537 688</b>	<b>(21 413 534)</b>



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 8. Investment property

	2015			2014		
	Valuation	Impairment loss	Carrying value	Valuation	Impairment loss	Carrying value
Investment property	1 663 123	-	1 663 123	1 500 000	-	1 500 000

#### Reconciliation of investment property - 2015

	Opening balance	Transfers received	Total
Investment property	1 500 000	163 123	1 663 123

#### Reconciliation of investment property - 2014

	Opening balance	Revaluation	Total
Investment property	501 000	999 000	1 500 000

#### Prior Year Adjustment

	Audited	Adjustment	Restated
Investment Property	661 000	(160 000)	501 000

The above adjustment is a result of a property that was erroneously included on the investment property register.

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Investment Property of the municipality.

The municipality's Investment Properties are accounted for at fair value.

No impairment losses have been recognised.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Details of valuation

Investment property is reviewed annually to detect material changes from the last reporting date. The last valuation was done by an independent professional valuer on 1 July 2014. The valuation which conforms to international valuation standards is arrived at by reference to market evidence of transaction prices for similar properties.

### 9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	60 862 600	-	60 862 600	54 976 700	-	54 976 700
Buildings	85 608 971	(44 020 952)	41 588 019	79 465 835	(42 834 521)	36 631 314
Infrastructure	1 321 140 600	(529 615 710)	791 524 890	1 251 189 438	(489 390 843)	761 798 595
Capital Work in Progress	117 286 200	-	117 286 200	101 112 709	-	101 112 709
Other property	29 930 703	(15 710 333)	14 220 370	28 584 618	(8 661 178)	19 923 440
<b>Total</b>	<b>1 614 829 074</b>	<b>(589 346 995)</b>	<b>1 025 482 079</b>	<b>1 515 329 300</b>	<b>(540 886 542)</b>	<b>974 442 758</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other movements	Depreciation
Land	54 976 700	-	-	5 885 900	-	-	-
Buildings	36 631 314	3 669 578	-	2 917 224	(5 885 900)	5 885 900	(1 630 09)
Infrastructure	761 798 595	13 544 373	-	56 538 465	-	-	(40 356 54)
Capital Work in Progress	101 112 709	75 629 180	-	-	(59 455 689)	-	-
Other Assets	19 923 440	1 236 582	(25 786)	-	-	304 392	(7 162 20)
	<b>974 442 758</b>	<b>94 079 713</b>	<b>(25 786)</b>	<b>65 341 589</b>	<b>(65 341 589)</b>	<b>6 190 292</b>	<b>(49 148 84)</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Reclassification as inventory	Transfers received	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Land	16 438 850	4 328 000	(360 000)	-	-	34 569 850	-	-	54 976 700
Buildings	37 092 722	1 093 208	-	443 666	-	-	(450 502)	(1 547 780)	36 631 314
Infrastructure	792 200 310	3 457 713	-	4 319 033	-	-	-	(38 178 461)	761 798 595
Capital Work in Progress	30 825 346	75 050 062	-	-	(4 762 699)	-	-	-	101 112 709
Other Assets	21 216 791	2 137 264	-	-	-	-	-	(3 430 615)	19 923 440
	<b>897 774 019</b>	<b>86 066 247</b>	<b>(360 000)</b>	<b>4 762 699</b>	<b>(4 762 699)</b>	<b>34 569 850</b>	<b>(450 502)</b>	<b>(43 156 856)</b>	<b>974 442 758</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 10. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 454 399	(972 972)	481 427	1 425 808	(767 964)	657 844

#### Reconciliation of intangible assets - 2015

	Opening balance	Disposals	Total
Computer software, other	657 844	(176 417)	481 427

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 10. Intangible assets (continued)

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Transfers received	Amortisation	Total
Computer software, other	-	39 058	(1 422)	708 958	(88 750)	657 844

The municipality amortises all of its intangible assets and none of these assets are regarded as having an indefinite useful life. The useful lives of intangible assets remains unchanged from prior year. No impairment losses have been recognised on intangible assets at the reporting date.

### 11. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other (Natural - The Eye)	1 650 000	-	1 650 000	1 650 000	-	1 650 000

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Other (Natural - The Eye)	1 650 000	1 650 000

#### Reconciliation of heritage assets 2014

	Opening balance	Total
Other (Natural - The Eye)	1 650 000	1 650 000

#### Prior Year Adjustment on Heritage Assets

	Audited	Adjustment	Restated
Other (Natural - The Eye)	1 686 000	(36 000)	1 650 000

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Heritage Assets of the municipality.

No impairment losses have been recognised.

The municipality's Heritage Assets are accounted for at fair value.

### 12. Other financial liabilities

#### At amortised cost

Bank loan	24 015 444	26 206 879
Terms and conditions		

#### Non-current liabilities

At amortised cost	21 721 539	24 016 328
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#### Current liabilities

At amortised cost	2 293 905	2 190 551
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# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>13. Long-term liabilities</b>		
<b>Annuity loans</b>		
Annuity loans	24 015 444	26 206 879
Finance lease liabilities	1 583 412	2 062 678
Sub-total	25 598 856	28 269 557
Annuity loans	(2 293 905)	(2 190 551)
Finance lease liabilities	(738 597)	(1 087 673)
Less: current portion transferred to current liabilities	(3 032 502)	(3 278 224)
	<b>22 566 354</b>	<b>24 991 333</b>
<b>Finance lease obligations</b>		
<b>Minimum lease payments due</b>		
- within one year	854 666	1 241 985
- in second to fifth year inclusive	950 114	1 068 787
	1 804 780	2 310 772
less: future finance charges	(221 368)	(248 094)
<b>Present value of minimum lease payments</b>	<b>1 583 412</b>	<b>2 062 678</b>
<b>Present value of minimum lease payments due</b>		
- within one year	738 597	1 087 673
- in second to fifth year inclusive	844 815	975 005
	<b>1 583 412</b>	<b>2 062 678</b>
Non-current liabilities	844 815	975 005
Current liabilities	738 597	1 087 673
	<b>1 583 412</b>	<b>2 062 678</b>
The municipality has finance lease agreements for the following significant classes of assets:		
• Office equipment (photocopy machines & PABX system)		
• Vehicles		
<b>14. Payables from exchange transactions</b>		
Accruals	16 945 900	10 565 041
Retention Monies	9 977 653	7 255 047
Other creditors	2 287 655	875 705
District municipality (John Taolo)	1 421 427	-
	<b>30 632 635</b>	<b>18 695 793</b>
<b>15. Payables from non-exchange</b>		
Employee costs provisions	5 026 315	2 253 937
Creditors insurance	1 266 517	-
Other payables from non-exchange transactions	1 757	5 640 342
	<b>6 294 589</b>	<b>7 894 279</b>
<b>16. VAT payable</b>		
Tax payables	-	510 726

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 17. Consumer deposits

Rates	3 076 154	2 656 475
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Consumer deposits represent amounts received in advance and held as surety for postpaid electricity and water services.

### 18. Employee benefit obligations

#### Defined benefit plan

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Post Retirement Health Care Benefits Liability	21 514 801	20 911 425
Long service Awards Liability	3 625 142	3 027 002
	<b>25 139 943</b>	<b>23 938 427</b>

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(25 711 712)	(23 938 427)
Present value of the defined benefit obligation-partly or wholly funded	571 769	-
Fair value of plan assets	-	-
	<b>(25 139 943)</b>	<b>(23 938 427)</b>
Non-current liabilities	(24 202 731)	(22 802 264)
Current liabilities	(937 212)	(1 136 163)
	<b>(25 139 943)</b>	<b>(23 938 427)</b>

#### Net expense recognised in the statement of financial performance

Current service cost	1 015 039	986 316
Interest cost	1 836 051	1 596 935
Actuarial (gains) losses	(1 350 846)	2 214 748
Benefits paid	(896 868)	(811 872)
	<b>603 376</b>	<b>3 986 127</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.88 %	8.97 %
Health care cost inflation rate	7.99 %	8.16 %
Net effective discount rate	0.83 %	0.75 %

#### Key demographic Assumptions

The summary of the key demographic assumptions used.

Assumptions	Value
Average retirement age	65
Continuation of membership at retirement	90%
Proportion assumed married at retirement	100%

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 18. Employee benefit obligations (continued)

Proportion of eligible current non-member employees joining the scheme by retirement	5%			
Mortality during employment	SA85-90			
Mortality during employment	PA(90)-1			
Withdrawal from service (sample annual rates)	Age		Female	Rate Male
	20		24%	16%
	30		15%	10%
	40		6%	6%
	50		2%	2%
	> 55	0%		0%

### 19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

ACIP Grant	261 070	1 582 510
Amogelang Grant	-	68 932
DME Grant	-	149
Dept of Water Affairs Grant	-	349 993
EPWP Grant	-	63
Housing Grant	1 184 428	1 326 715
Kgotsopula Nala Grant	-	613
Library Grant	-	101
Municipal Infrastructure Grant	5 824 845	-
Municipal Systems Infrastructure Grant	538 518	467 735
RBIG Grant	135 243	113 562
Rural Housing Infrastructure Grant (RHIG)	70	2 159 070
Water & Sanitation Grant	-	353
	<b>7 944 174</b>	<b>6 069 796</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 20. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Underprovided during the year	Total
Environmental rehabilitation	10 164 920	1 155 507	(552 505)	10 767 922

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Underprovided during the year	Total
Environmental rehabilitation	8 293 341	1 319 074	552 505	10 164 920

#### Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites of Ga Segonyana.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation. It is carried at discount rate used.

#### Provision for road maintenance

Certain municipal roads have been identified as requiring repairs and maintenance. To this extent, a provision has been made in order to perform such work. Repairs and maintenance will be performed by the internal Roads maintenance department and accordingly this estimate is based on the experience of the work performed by this department on an ongoing basis.

### 21. Revaluation reserve

In terms of the articles of association, ...(describe if reserves are distributable).

Opening balance	34 569 850	34 569 850
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### 22. Service charges

Service charges	10 432 690	9 175 311
Sale of electricity	70 871 912	64 472 630
Sale of water	16 008 040	15 781 996
Refuse removal	6 992 790	6 364 906
	<b>104 305 432</b>	<b>95 794 843</b>

### 23. Rental of facilities and equipment

#### Premises

Premises	1 406 614	1 242 898
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### 24. Investment revenue

#### Interest revenue

Bank	1 677 694	1 400 235
Interest charged on housing scheme stand sale	15 448	794
	<b>1 693 142</b>	<b>1 401 029</b>



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 25. Property rates

#### Rates received

Property rates	32 066 913	22 071 171
Less: Income foregone	(5 951 608)	(2 258 400)
	<b>26 115 305</b>	<b>19 812 771</b>

#### Valuations

Residential	2 411 738 500	1 257 189 000
Commercial	1 044 679 700	357 482 000
State	53 388 000	81 498 000
Municipal	121 584 400	70 592 000
Agriculture	1 817 103 000	684 273 345
Industrial	219 260 500	126 789 795
Other	352 600	-
	<b>5 668 106 700</b>	<b>2 577 824 140</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
ACIP Grant	1 321 439	273 307
Amogelang Childhood Grant	68 932	-
Department of Minerals and Energy Grant (DME)	1 000 149	2 000 000
Dept of Water Affairs Grant (DWAF)	7 349 993	6 150 007
Equitable share	86 992 000	73 591 000
Expanded Public Works Program Grant (EPWP)	1 000 063	1 223 185
Finance Management Grant (FMG)	1 600 000	1 550 000
Kgotsopula Nala Grant	613	1 013 820
Library Grant	1 228 101	939 899
	<b>100 561 290</b>	<b>86 741 218</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	45 202 155	66 325 741
Municipal Systems Infrastructure Grant (MSIG)	863 217	564 061
Municipal Water Infrastructure Grant (MWIG)	14 170 000	3 543 000
Rural Bulk Infrastructure Grant (RBIG)	24 836 754	6 328 503
Rural Housing Infrastructure Grant (RHIG)	-	2 050 930
Water and Sanitation Grant	353	-
	<b>85 072 479</b>	<b>78 812 235</b>
	<b>185 633 769</b>	<b>165 553 453</b>

### Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The equitable share grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality.

### Municipal Infrastructure Grant

Balance unspent at beginning of year	-	13 954 741
Current-year receipts	51 027 000	52 371 000
Conditions met - transferred to revenue	(45 202 155)	(66 325 741)
	<b>5 824 845</b>	<b>-</b>

The unspent amount remains as a liability (see note 19).

The grant is mainly used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

### Municipal Systems Infrastructure Grant

Balance unspent at beginning of year	467 735	141 796
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(863 217)	(564 061)
	<b>538 518</b>	<b>467 735</b>

The unspent amount remains as a liability (see note 19).

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Library Grant</b>		
Balance unspent at beginning of year	101	-
Current-year receipts	1 228 000	940 000
Conditions met - transferred to revenue	(1 228 101)	(939 899)
	<b>-</b>	<b>101</b>

The unspent amount remains as a liability (see note 19).

The purpose is to fund capital projects and maintenance of library facilities the community.

### Department of Water Affairs (DWAF)

Balance unspent at beginning of year	349 993	-
Current-year receipts	7 000 000	6 500 000
Conditions met - transferred to revenue	(7 349 993)	(6 150 007)
	<b>-</b>	<b>349 993</b>

The unspent amount remains as a liability (see note 19).

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

### Finance Management Grant (FMG)

Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
	<b>-</b>	<b>-</b>

The unspent amount remains as a liability (see note 19).

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

### Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	63	223 247
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 063)	(1 223 184)
	<b>-</b>	<b>63</b>

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

### Department of Minerals and Energy (DME)

Balance unspent at beginning of year	149	149
Current-year receipts	1 000 000	2 000 000
Conditions met - transferred to revenue	(1 000 149)	(2 000 000)
	<b>-</b>	<b>149</b>

The unspent amount remains as a liability (see note 19).

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Kgotsopula Nala</b>		
Balance unspent at beginning of year	613	1 485 567
Current-year receipts	-	1 014 433
Conditions met - transferred to revenue	(613)	(2 499 387)
	<b>-</b>	<b>613</b>

### Municipal Water Infrastructure Grant (MWIG)

Current-year receipts	14 170 000	3 543 000
Conditions met - transferred to revenue	(14 170 000)	(3 543 000)
	<b>-</b>	<b>-</b>

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

### Rural Housing Grant

Balance unspent at beginning of year	1 326 715	6 335 635
Current-year receipts	4 162 132	5 961 011
Conditions met - transferred to revenue	(4 304 419)	(10 969 931)
	<b>1 184 428</b>	<b>1 326 715</b>

The municipality is the implementing agent for COGHSTA and therefore should not include the amount received and spent on housing grant in their revenue and expenditure.

The unspent amount remains as a liability (see note 19).

The purpose of this grant is to facilitate development of rural housing.

### Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	113 562	113 562
Current-year receipts	24 858 435	6 328 503
Conditions met - transferred to revenue	(24 836 754)	(6 328 503)
	<b>135 243</b>	<b>113 562</b>

The unspent amount remains as a liability (see note 19).

### ACIP Water Grant

Balance unspent at beginning of year	1 582 510	1 855 817
Conditions met - transferred to revenue	(1 321 440)	(273 307)
	<b>261 070</b>	<b>1 582 510</b>

The unspent amount remains as a liability (see note 19).

### Water and Sanitation

Balance unspent at beginning of year	353	353
Conditions met - transferred to revenue	(353)	-
	<b>-</b>	<b>353</b>

### Amogelang Childhood

Balance unspent at beginning of year	68 932	68 932
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## Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Conditions met - transferred to revenue	(68 932)	-
	-	<b>68 932</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Rural Housing Infrastructure Grant (RHIG)</b>		
Balance unspent at beginning of year	2 159 070	-
Current-year receipts	-	4 210 000
Conditions met - transferred to revenue	-	(2 050 930)
Withheld by National Treasury	(2 159 000)	-
	<b>70</b>	<b>2 159 070</b>

The purpose of this grant is to facilitate development of rural housing infrastructure.

### Allocations in kind

Human settlement development grant	3 300 000	-
Rural Household Infrastructure grant	4 500 000	-
Water Services Operating Subsidy	300 000	300 000
Integrated National Electrification Programme (Eskom)	39 259 000	2 983 000
Neighbourhood Development Partnership (Technical Assistance)	893 000	1 000 000
	<b>48 252 000</b>	<b>4 283 000</b>

The following amounts were allocations in kind as per DORA Bill 5 2014. An allocation in kind is money allocated for spending by a national department on behalf of a province, local government or a municipality.

### 27. Revenue

Fines, Penalties and Forfeits	13 999 285	8 339 144
Government grants & subsidies	185 633 769	165 553 453
Interest received - investment	1 693 142	1 401 029
Interest received (trading)	4 080 083	1 284 825
Licences and permits	3 914 476	3 815 354
Other income	2 243 223	3 847 866
Property rates	26 115 305	19 812 771
Rendering of services	355 574	513 352
Rental of facilities and equipment	1 406 614	1 242 898
Sale of Stands	5 566 325	8 112 346
Service charges	104 305 432	95 794 843
Public contributions and donations	19 528 276	25 552 394
	<b>368 841 504</b>	<b>335 270 275</b>

### The amount included in revenue arising from exchanges of goods or services are as follows:

Interest received - investment	1 693 142	1 401 029
Interest received (trading)	4 080 083	1 284 825
Licences and permits	3 914 476	3 815 354
Other income	2 243 223	3 847 866
Rental of facilities and equipment	1 406 614	1 242 898
Rendering of services	355 574	513 352
Sale of Stands	5 566 325	8 112 346
Service charges	104 305 432	95 794 843
	<b>123 564 869</b>	<b>116 012 513</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>27. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	26 115 305	19 812 771
<b>Transfer revenue</b>		
Government grants & subsidies	185 633 769	165 553 453
Public contributions and donations	19 528 276	25 552 394
Fines, Penalties and Forfeits	13 999 285	8 339 144
	<b>245 276 635</b>	<b>219 257 762</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>28. Employee related costs</b>		
Basic	54 822 580	47 324 436
Bonus	3 260 644	2 914 263
Medical aid - company contributions	3 710 787	3 300 047
UIF	440 582	409 313
Leave/Bonus Provision	1 538 343	1 219 284
Defined contribution plans	7 752 178	6 946 729
Travel, motor car, accommodation, subsistence and other allowances	2 359 532	2 023 923
Overtime payments	3 460 099	2 710 179
Long-service awards	983 307	110 830
Acting allowances	430 598	566 221
Housing benefits and allowances	2 495 365	1 954 017
Industrial Council Contributions	22 328	20 206
Standby Allowance	444 531	367 721
Telephone Allowance	271 199	245 893
Group Insurance	1 310 307	1 185 304
Other Allowances	269 887	153 790
Termination benefits	5 123 967	4 361 683
	<b>88 696 234</b>	<b>75 813 839</b>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	936 235	864 386
Allowances	181 260	186 818
Company contributions to UIF, Medical and Pension Funds	12 717	11 517
	<b>1 130 212</b>	<b>1 062 721</b>
<b>Remuneration of the Chief Financial Officer</b>		
Annual Remuneration	698 574	444 322
Allowances	195 408	83 533
Company contributions to UIF, Medical and Pension Funds	10 446	8 498
	<b>904 428</b>	<b>536 353</b>
<b>Remuneration of the Manager: Community Services</b>		
Annual Remuneration	600 569	583 284
Allowances	105 408	104 400
Company contributions to UIF, Medical and Pension Funds	8 302	8 050
	<b>714 279</b>	<b>695 734</b>
<b>Remuneration of the Manager: Corporate Support Services</b>		
Annual Remuneration	692 393	641 700
Car and Other Allowances	219 495	205 407
Company Contributions to UIF, Medical and Pension Funds	11 604	10 229
	<b>923 492</b>	<b>857 336</b>
<b>Remuneration of the Manager: Technical Services</b>		
Annual Remuneration	355 852	480 960
Car and Other Allowances	106 272	220 981
Company Contributions to UIF, Medical and Pension Funds	6 083	8 377
	<b>468 207</b>	<b>710 318</b>



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>29. Remuneration of councillors</b>		
Executive Mayor	721 206	699 468
Mayoral Committee Members	5 676 450	5 469 833
Speaker	604 059	574 172
	<b>7 001 715</b>	<b>6 743 473</b>
<b>30. Depreciation and amortisation</b>		
Property, plant and equipment	49 148 848	43 156 857
<b>31. Finance costs</b>		
Other interest paid	3 041 883	2 651 878
<b>32. Bulk purchases</b>		
Electricity	52 314 575	61 139 279
Bulk purchases are the cost of commodities not generated by the municipality, which the municipality procures for resale to consumers within the municipal area. Electricity is purchased from Eskom.		
<b>33. Contracted services</b>		
Cleaning Services	265 215	246 760
Management of Landfill Site	3 049 200	2 802 800
Other Contractors	3 281	-
	<b>3 317 696</b>	<b>3 049 560</b>
<b>34. Grant Funded Expenditure</b>		
<b>Other subsidies</b>		
ACIP Water Backlogs	1 321 439	245 994
Bankhara Bodulong Housing	(377 570)	377 570
Blue Drop & Green Support	24 760	883 932
Department of Minerals and Energy Grant (DME)	878 747	-
Expanded Public Works Program Grant (EPWP)	21 066	1 223 185
Finance Management Grant (FMG)	1 636 495	1 550 000
Library Development	1 305 756	939 899
Municipal Systems Infrastructure Grant (MSIG)	798 282	564 061
Rural Bulk Infrastructure Grant (RBIG)	(666 420)	6 217 738
	<b>4 942 555</b>	<b>12 002 379</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>35. General expenses</b>		
Advertising	151 448	232 890
Auditors remuneration	2 477 616	2 322 415
Bank charges	1 436 797	1 001 069
Cleaning	186 664	331 724
Computer expenses	167 134	114 756
Consulting and professional fees	7 510 071	16 839 327
Entertainment	251 786	273 474
Fines and penalties	18 571	-
Flowers	1 565	1 750
Animal Costs	4 314	14 890
Insurance	5 940 632	4 478 385
Community development and training	1 659 934	1 632 477
Magazines, books and periodicals	61 726	20 820
Medical expenses	21 595	4 245
Postage and courier	280 443	336 747
Printing and stationery	295 119	347 081
Protective clothing	339 986	409 117
Royalties and license fees	43 466	41 245
Security (Guarding of municipal property)	3 148 617	4 229 863
Subscriptions and membership fees	978 680	735 754
Telephone and fax	670 614	880 885
Training	1 310 827	319 259
Travel - local	4 362 579	3 273 747
Electricity	1 919 341	1 482 559
Terrain Lights	613	2 499 387
Refreshments	2 114	2 749
SETA	694 044	590 974
Service of Stands	3 843 958	7 236 467
Traffic Services	2 528 053	1 547 035
Project management costs	2 605 368	-
Grants & Subsidies Paid	341 317	341 296
Chemicals	35 766	91 922
Asset write down	799 823	-
Other expenses	989 133	1 611 528
	<b>45 079 714</b>	<b>53 245 837</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>36. Cash generated from operations</b>		
Surplus	46 952 533	33 089 350
<b>Adjustments for:</b>		
Depreciation and amortisation	49 148 848	43 156 857
Loss on sale of assets and liabilities	-	(195 638)
Sundry write-offs	2 429 491	-
Debt impairment	23 703 692	(1 439 762)
Reserves	-	38 897 850
Movements in retirement benefit assets and liabilities	1 201 516	-
Movements in provisions	603 002	-
Retirement benefit obligation	-	4 522 206
Opening accumulated surplus	-	8 260 371
Other non-cash items	1	-
<b>Changes in working capital:</b>		
Inventories	4 586 859	(5 112 963)
Consumer debtors	(35 808 233)	(6 785 169)
Other receivables from non-exchange transactions	(5 873 322)	(2 556 953)
Provisions	-	(995 924)
Other debtors	(3 180 660)	-
Operating lease receivables	-	1 717
Payables from exchange transactions	11 936 842	-
VAT	(3 624 972)	19 589 444
Taxes and transfers payable (non exchange)	(1 599 690)	422 364
Unspent conditional grants and receipts	1 874 378	(16 624 436)
Consumer deposits	419 679	-
Other liabilities	-	(2 718 882)
Trade and other payables	-	2 085 393
	<b>92 769 964</b>	<b>113 595 825</b>
<b>37. Auditors' remuneration</b>		
Fees	2 477 616	2 322 415
<b>38. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and Contracted for</b>		
• Infrastructure	32 226 154	58 421 072
• Community	1 074 550	10 876 913
	<b>33 300 704</b>	<b>69 297 985</b>
<b>Approved but not yet contracted for</b>		
• Infrastructure	77 800 000	-
<b>Total capital commitments</b>		
Contracted for but not provided for	33 300 704	69 297 985
Not yet contracted for and authorised by accounting officer	77 800 000	-
	<b>111 100 704</b>	<b>69 297 985</b>
<b>Total commitments</b>		
<b>Provided for but not contracted for.</b>		
Authorised capital expenditure	111 100 704	69 297 985

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 39. Prior period errors

During the year the following errors were identified in the prior year Annual Financial statements:

A misstatement of cash and cash equivalents was corrected by R 2 410 827.  
 Inventories were found to be understated by R 5 079 958 as compared to the inventory listing as at 30 June 2014.  
 A variance between consumer debtors age analysis and the audited financial statements of R 563 377 was corrected.  
 VAT receivable was written off by R 5 396 525 as a result of an overstatement of the balance.  
 Receivables from non exchange transactions were overstated by R 179 759 hence the restatement.  
 Other debtors were overstated by R 270 734.  
 Investment property was understated by R 839 000 as compared to the amounts as per valuation roll.  
 Property plant and equipment was understated by R 36 945 818 and was adjusted for accordingly.  
 A misstatement of heritage assets was corrected by R 36 000.  
 Long term loan receivable overstatement was corrected by R 388 197.  
 Consumer deposits misstatement of R 1409 was adjusted.  
 The current employee benefit obligation variance of R 118 630 from the previously reported balances and the actuarial valuation report was corrected accordingly.  
 The non-current employee benefit obligation variance of R 1 817 136 from the previously reported balances and the actuarial valuation report was corrected accordingly.  
 An understatement of current finance lease obligation of R1 087 673 was corrected.  
 An understatement of non current finance lease obligation of R 975 005 was corrected.  
 An overstatement of R 1 890 308 on the non current portion of other financial liabilities was corrected.  
 Payables from exchange transactions were understated by R 5 097 388 hence the restatement.  
 Payables from non exchange transactions were overstated by R 4 733 534 hence the restatement.  
 An understatement of R 992 908 was adjusted for.  
 VAT payable understatement was corrected by R 510 726.  
 Unspent conditional grants and receipts overstatement of R 741 461 was corrected.  
 Other liabilities were also corrected due to an understatement of R 14 829.  
 An overstatement of other financial liabilities by R1 890 308 was adjusted for accordingly as a result of the difference between the previously reported financial statements and the loan confirmation.  
 Provisions were overstated by R 79 977 hence the restatement.  
 Revaluation reserve was corrected by R 34 569 850 as a result of assets that were revalued.  
 Accumulated surplus was adjusted for by R 6 965 823 to take into account all of the restatements for the prior period.  
 All Statement of Financial Performance line items were restated as a result of reallocations and the impact of adjustments processed in the Statement of Financial Position.  
 All Cash Flow statement line items were restated as a result of reallocations and the impact of adjustments processed in the Statement of Financial Position

The correction of the error(s) results in adjustments as follows:

### Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	14 954 566	(2 410 827)	-	12 543 739
Inventories	21 560 052	5 079 958	-	26 640 010
VAT receivable	5 396 525	(5 396 525)	-	-
Receivables from non-exchange transactions	7 661 223	(179 759)	-	7 481 464
Consumer debtors	15 858 474	563 373	-	16 421 847
Current portion of staff debtors	270 734	(270 734)	-	-
	<b>65 701 574</b>	<b>(2 614 514)</b>	<b>-</b>	<b>63 087 060</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015		2014	
<b>39. Prior period errors (continued)</b>				
<b>Non-Current Assets</b>				
Investment property	661 000	839 000	-	1 500 000
Property, plant and equipment	937 496 943	36 945 815	-	974 442 758
Intangible assets	657 844	-	-	657 844
Heritage assets	1 686 000	(36 000)	-	1 650 000
Long term loan receivable	388 197	(388 197)	-	-
	<b>940 889 984</b>	<b>37 360 618</b>	<b>-</b>	<b>978 250 602</b>
<b>Total Assets</b>	<b>1 006 591 558</b>	<b>34 746 104</b>	<b>-</b>	<b>1 041 337 662</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Consumer deposits	2 655 066	1 409	-	2 656 475
Employee benefit obligation	1 017 533	118 630	-	1 136 163
Other financial liabilities	2 190 551	-	-	2 190 551
Finance lease obligation	-	1 087 673	-	1 087 673
Payables from exchange transactions	18 833 812	(138 019)	-	18 695 793
Taxes and transfers payable (non-exchange)	8 955 056	(1 060 777)	-	7 894 279
VAT payable	-	510 726	-	510 726
Unspent conditional grants and receipts	6 811 257	(741 461)	-	6 069 796
Other liabilities	-	14 829	-	14 829
	<b>40 463 275</b>	<b>(206 990)</b>	<b>-</b>	<b>40 256 285</b>
<b>Non-Current Liabilities</b>				
Employee benefit obligation	21 485 128	1 317 136	-	22 802 264
Other financial liabilities	25 906 636	(1 890 308)	-	24 016 328
Finance lease obligation	-	975 005	-	975 005
Provisions	10 244 897	(79 977)	-	10 164 920
	<b>57 636 661</b>	<b>321 856</b>	<b>-</b>	<b>57 958 517</b>
<b>Total Liabilities</b>	<b>98 099 936</b>	<b>114 866</b>	<b>-</b>	<b>98 214 802</b>
<b>Net Assets</b>	<b>908 491 622</b>	<b>34 631 238</b>	<b>-</b>	<b>943 122 860</b>
<b>Net Assets</b>				
Reserves				
Revaluation reserve	-	34 569 850	-	34 569 850
Accumulated surplus	908 491 624	(6 965 823)	-	901 525 801
<b>Total Net Assets</b>	<b>908 491 624</b>	<b>27 604 027</b>	<b>-</b>	<b>936 095 651</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014		
39. Prior period errors (continued)				
Statement of Financial Performance				
	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	99 717 858	(3 923 015)	-	95 794 843
Rendering of services	-	513 352	-	513 352
Interest Earned - External Investments	1 448 305	(1 448 305)	-	-
Rental of facilities and equipment	1 026 270	216 628	-	1 242 898
Interest received (trading)	1 287 280	(2 455)	-	1 284 825
Dividends received (trading)	13 268 563	(13 268 563)	-	-
Licences and permits	-	3 815 354	-	3 815 354
Profit on Sale of Land	219 190	(219 190)	-	-
Sale of Stands	-	8 112 346	-	8 112 346
Other income	-	3 847 866	-	3 847 866
Interest received - investment	-	1 401 029	-	1 401 029
Total revenue from exchange transactions	116 967 466	(954 953)	-	116 012 513
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	17 988 383	1 824 388	-	19 812 771
Transfer revenue				
Government grants & subsidies	175 245 487	(9 692 034)	-	165 553 453
Levies	3 815 354	(3 815 354)	-	-
Public contributions and donations	25 731 206	(178 812)	-	25 552 394
Fines, Penalties and Forfeits	2 259 740	6 079 404	-	8 339 144
Total revenue from non-exchange transactions	225 040 170	(5 782 408)	-	219 257 762
Total revenue	342 007 636	(6 737 361)	-	335 270 275
Expenditure				
Employee related costs	(74 606 633)	(1 207 206)	-	(75 813 839)
Remuneration of councillors	(6 743 473)	-	-	(6 743 473)
Contribution to/from provisions	-	40 321 000	40 321 000	-
Depreciation and amortisation	(42 167 801)	(989 056)	-	(43 156 857)
Impairment losses	(4 190 896)	4 190 896	-	-
Finance costs	(2 801 222)	149 344	-	(2 651 878)
Bad debts written off	-	(38 881 238)	(40 321 000)	1 439 762
Repairs and maintenance	(28 294 786)	(16 412 615)	-	(44 707 401)
Bulk purchases	(54 784 015)	(6 355 264)	-	(61 139 279)
Contracted services	-	(3 049 560)	-	(3 049 560)
Grants and subsidies paid	(279 357)	(11 723 022)	-	(12 002 379)
General Expenses	(82 117 410)	27 565 751	-	(54 551 659)
Total expenditure	(295 985 593)	(6 390 970)	-	(302 376 563)
Operating surplus	46 022 043	(13 128 331)	-	32 893 712
Loss on disposal of assets	(23 552)	219 190	-	195 638
Surplus for the year	45 998 491	(12 909 141)	-	33 089 350

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014		
39. Prior period errors (continued)				
Cash flow statement				
Cash Flow Statement				
	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Cash flows from operating activities				
Receipts				
Sale of goods and services	108 525 065	194 608 597	152 879 667	150 253 995
Grants	159 362 513	194 508 001	193 971 567	159 898 947
Interest income	1 448 305	(47 276)	-	1 401 029
Dividends received	25 731 206	(25 731 206)	-	-
Other receipts	30 171 730	(30 171 730)	-	-
	325 238 819	333 166 386	346 851 234	311 553 971
Payments				
Employee costs	(79 259 590)	4 652 815	(88 696 234)	(74 606 775)
Suppliers	(81 506 497)	(82 621 228)	(160 855 637)	(120 699 493)
Finance costs	(2 801 222)	149 344	(3 041 883)	(2 651 878)
Other payments	(81 641 285)	81 641 285	-	-
	(245 208 594)	3 822 216	(252 593 754)	(197 958 146)
Net cash flows from operating activities	80 030 225	(9 862 632)	-	113 595 825
Cash flows from investing activities				
Purchase of property, plant and equipment	(82 894 325)	(37 381 758)	-	(120 276 083)
Proceeds from sale of property, plant and equipment	(23 552)	219 190	-	195 638
Profit on Sale of Land	219 190	(219 190)	-	-
Purchase of investment property	-	(839 000)	-	(839 000)
Proceeds from sale of other intangible assets	1 422	205 969	176 417	207 391
Proceeds from sale of heritage assets	-	36 000	-	36 000
Purchase of long term loan receivable	43 842	658 930	-	702 772
Net cash flows from investing activities	(82 653 423)	(37 319 859)	176 417	(119 973 282)
Cash flows from financing activities				
Repayment of other financial liabilities	-	-	(2 191 435)	-
Movement in other liability 2	-	-	23 071	-
Finance lease payments	(479 266)	2 541 944	(479 266)	2 062 678
Finance lease receipts	(1 836 470)	364 137	-	(1 472 333)
Net cash flows from financing activities	(2 315 736)	2 906 081	(2 647 630)	590 345
Net increase/(decrease) in cash and cash equivalents	(4 938 934)	(44 276 410)	(2 471 213)	(7 349 761)
Cash and cash equivalents at the beginning of the year	19 893 500	-	12 543 739	19 893 500
Cash and cash equivalents at the end of the year	14 954 566	(44 276 410)	10 072 526	12 543 739

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 40. Financial Instruments

In accordance with GRAP 104.13 the Financial Assets and Liabilities of the municipality are classified as follows:

Financial assets	At fair value	At fair value	At amortised cost	At amortised cost
Receivables from non-exchange transactions	-	-	12 848 259	7 481 464
Consumer Debtors	-	-	20 055 366	16 421 851
Cash and cash equivalents	812 068	12 543 739	-	-
Long term loan receivable	-	-	389 569	-
	<b>812 068</b>	<b>12 543 739</b>	<b>33 293 194</b>	<b>23 903 315</b>
Financial Liabilities			At amortised cost	At amortised cost
Payables from exchange transactions			28 344 976	24 430 562
Payables from non-exchange transactions			5 649 890	4 605 822
Other financial liabilities			21 721 539	24 016 328
			<b>55 716 405</b>	<b>53 052 712</b>

### 41. Risk management

#### Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department of Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Liquidity Risk;
- Credit Risk; and
- Market Risk

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 41. Risk management (continued)

#### Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities. Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Receivables from non-exchange transactions	12 848 259	7 481 464
Receivables from exchange transactions	20 055 366	16 421 851
VAT receivable	3 114 246	-
Cash and cash equivalents	812 068	12 543 739

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

No formal policy exists to hedge volatilities in the interest rate market. There has been no change in the municipality's exposure to market risks or the manner in which it manages and measures the risk.

### 42. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated deficits of R 953 283 697 and that the municipality's total liabilities exceed its assets by R 987 853 547.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

### 43. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

### 44. Unauthorised expenditure

Opening balance	132 043 853	123 894 763
Current year	-	8 149 090
	<b>132 043 853</b>	<b>132 043 853</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 44. Unauthorised expenditure (continued)

At a meeting held on 28 August 2015, the Unauthorised Expenditure was condoned by the Council.

### 45. Fruitless and wasteful expenditure

Opening balance	361 939	25 923
Fruitless and wasteful expenditure current year	-	336 016
Interest on overdue accounts payable	29 780	-
Additional project costs incurred as a result of change in contractors	382 699	-
	<b>774 418</b>	<b>361 939</b>

The Council met on 28 August 2015 and condoned the total of Fruitless and Wasteful expenditure of R 774,418 described above.

### 46. Irregular expenditure

Opening balance	82 944 052	-
Add: Irregular Expenditure - current year	100 605 555	82 944 052
	<b>183 549 607</b>	<b>82 944 052</b>

The amount disclosed for irregular expenditure for the current year is as a result of following reasons:

- Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c).
- Bid specifications were not always drafted by bid specification committees.

### 47. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

##### VAT

VAT receivable	3 114 246	-
VAT payable	-	510 726
	<b>3 114 246</b>	<b>510 726</b>

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 47. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Brink MAP	5 123	15 179	20 302
Byleveld FP	722	-	722
Modise	956	-	956
	<b>6 801</b>	<b>15 179</b>	<b>21 980</b>

  

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Brink MAP	4 075	7 424	11 499
Byleveld FP	-	6 223	6 223
	<b>4 075</b>	<b>13 647</b>	<b>17 722</b>

#### Bulk Electricity and water Losses in terms of section 125 (2)(d)(i) of the MFMA

<b>30 June 2015</b>	Column heading Unaccounted Electricity Losses	Lost units 13 579 454	Tariff 0.88	Value 13 579 455
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<b>30 June 2014</b>	Unaccounted Electricity Losses	Lost unit 8 744 598	tariff 0.68	Value 8 744 599
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<b>Volume in KI/year</b>				
System Input Volume			71 158 705	71 542 516
Billed Consumption			57 579 251	62 797 918
Distribution Loss			13 579 454	8 744 598
Percentage distribution Loss			19.90 %	12.22 %

  

<b>30 June 2015</b>	Unaccounted Water Losses	Lost unit 3 013 260	Tariff 5.55	Value 3 013 266
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<b>30 June 2014</b>	Unaccounted Water Losses	Lost unit 2 405 169	Tariff 4.47	Value 2 405 173
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<b>Volume in KI/year</b>				
System Input Volume			4 858 067	4 667 089
Billed Consumption			1 844 807	2 261 920
Distribution Loss			3 013 260	2 405 169
Percentage distribution Loss			62.03 %	51.53 %

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 48. New standards and interpretations

#### 48.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>GRAP 20: Related parties</li></ul>	01 April 2016	The impact of the amendment is not material.
<ul style="list-style-type: none"><li>GRAP108: Statutory Receivables</li></ul>	01 April 2016	The impact of the amendment is not material.
<ul style="list-style-type: none"><li>IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</li></ul>	01 April 2016	The impact of the amendment is not material.
<ul style="list-style-type: none"><li>DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP</li></ul>	01 April 2016	The impact of the amendment is not material.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 49. Contingent liabilities

Through the returned lawyer's confirmation letter received, the following contingent liabilities are disclosable ;

#### KB Seleke Case

Eviction case nr : 238/2015	300 000	-
Eviction case nr : 1069/2015	550 000	-
Eviction case nr : 860/2014	160 000	-
	<b>1 010 000</b>	<b>-</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 50. Related parties

Interest of Related Parties

Councillor F.P Byleveld

Councillor M.J Dichabe

Councillor K.B Madikiza

Councillor N.G Thupaemang

Councillor N.S Bloem

Councillor B.E Modise

Councillor G.C Assegaa

Councillor K. Bles

Municipal Manager - G.E Ntefang

Corporate Admin Manager - M.R Tsatsimpe

Manager Community Services - P.J Sampson

Segopa Butchery

Reaiteka Youth Construction, Tshela Thupa Event

Management & Thusba and Dipule Construction

Enterprise

Batharos Sound Hire, Tlotlanang Catering & Bomme-

Sejo Services and Supply Co-operative Limited

Mseko Enterprise and Projects, Bafumahadi Khumo

Enterprise and Projects & Mmeetshwara Thipa Ka Ha

Bogaleng Primary Co-operative Limited

Bomme-Sejo Services and Supply Co-operative

Limited

Bomme-Sejo Services and Supply Co-operative

Limited

Bomme-Sejo Services and Supply Co-operative

Limited, Gadikgadi & Self-Propelled Trading and

Projects

Machla General Trading

Gasegonyane Mining Investment & Mediro Peo

Holdings

Kurara FM Radio Station

Mimoisa Business Solution

### Compensation of Related Parties

#### 2015

Councillor / Manager	Name	Family Member	Department	Relationship	Remuneration
Councillor	T.E. Meyers	R. M. Meyers	Community	Wife	206 449
Councillor	P.Q. Mogatle	B. Thankane	Community	Cousin	67 253
Councillor	S.M. Rayn	N. Rayn	Community	Husband	119 131
Councillor	B. E. Modise	T. Modise	Community	Child	191 400
Councillor	N.G. Thupaemang	G. Sibi	Technica	Daughter	200 258
Councillor	M.A. Brink	D. Eilerd	Technical	Cousin	330 060
Councillor	L.C. Rapelang	D. Baepi	Community	Brother	317 869
					<b>1 432 420</b>

#### 2014

Councillor / Manager	Name	Family Member	Department	Relationship	Remuneration
Councillor	T.E. Meyers	R. M. Meyers	Community	Wife	178 026
Councillor	P.Q. Mogatle	B. Thankane	Community	Cousin	60 060
Councillor	T.H. Lekgetho	R. Ndlambe	Technical	Step Father	31 136
Councillor	S.M. Rayn	N. Rayn	Community	Husband	109 029
Councillor	B. E. Modise	T. Modise	Community	Child	112 345
Councillor	N.G. Thupaemang	G. Sibi	Technica	Daughter	146 656
Councillor	M.A. Brink	D. Eilerd	Technical	Cousin	267 330
Councillor	L.C. Rapelang	D. Baepi	Community	Brother	259 001
					<b>1 163 583</b>

## Appendix E(1)

June 2015

### Year to Date

	Current year 2015 Act. Bal.	Current year 2015 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	355 574	512 536	(156 962)	(30.6)	The underperformance with respect to service charges is largely driven by the below expected electricity sales.
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	-	-	-	
Service charges	104 305 432	118 294 697	(13 989 265)	(11.8)	The underperformance with respect to service charges is largely driven by the below expected electricity sales.
	-	-	-	-	
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	1 406 614	1 820 309	(413 695)	(22.7)	Reduction is as a result of low demand.
Interest received (trading)	4 080 083	3 943 134	136 949	3.5	
Dividends received (trading)	-	-	-	-	
Agency services	-	-	-	-	
	-	-	-	-	
Licences and permits	3 914 476	4 290 703	(376 227)	(8.8)	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Sale of Stands	5 566 325	20 000 000	(14 433 675)	(72.2)	Delays experienced in servicing of stands resulted in an adverse program in the sellings of stand for housing and commercial purposes.
Recoveries	-	-	-	-	
Other income	2 243 223	7 154 588	(4 911 365)	(68.6)	The reduction is due to adjusting housing project income.
Other Income 2	-	-	-	-	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	-	-	-	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Other income 3	-	-	-	-	
Interest received - investment	1 693 143	1 265 089	428 054	33.8	The increase is due to an increase in investments.
Interest received - other	-	-	-	-	

# Appendix E(1)

June 2015

## Year to Date

	Current year 2015 Act. Bal.	Current year 2015 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Dividends received	-	-	-	-	
	123 564 870	157 281 056	(33 716 186)	(21.4)	
Expenses					
Personnel	(88 696 235)	(81 596 408)	(7 099 827)	8.7	
Manufacturing - Employee costs	-	-	-	-	
Remuneration of councillors	(7 001 715)	(6 756 524)	(245 191)	3.6	
Administration	-	-	-	-	
Transfer payments	-	-	-	-	
Depreciation	(49 148 848)	(37 639 324)	(11 509 524)	30.6	Depreciation is significantly higher than budgeted as it was impacted by the adjustments in the cost of Property Plant and Equipment which resulted in adjustments in depreciation.
Impairment	-	-	-	-	
Amortisation	-	-	-	-	
Impairments	(2 429 491)	(55 310)	(2 374 181)	292.5	Amortisation is significantly higher than budgeted as it was impacted by the adjustments in the cost of Property Plant and Equipment which resulted in adjustments in depreciation.
Reversal of impairments	-	-	-	-	
Finance costs	(3 041 883)	(2 964 073)	(77 810)	2.6	
Bad debts written off	(23 703 692)	(449 530)	(23 254 162)	173.0	Bad Debts were higher than budgeted as a result of management views regarding recoverability of Accounts Receivable. Additionally, there was a need to provide for VAT Receivable which may not be fully recoverable in the immediate term.
Collection costs	-	-	-	-	
Repairs and maintenance	-	-	-	-	
- Manufacturing expenses					
Repairs and maintenance	(41 153 311)	(47 313 445)	6 160 134	(13.0)	The state of the roads infrastructure required that management double up their efforts in order to ensure that the roads are safe for the road users. Further, a provision has been made in the financial statements to take care of planned roads maintenance activities that are expected to take place shortly after the year end. Consequently, Repairs and Maintenance Costs are higher than originally budgeted.
- General					
Repairs and maintenance	-	-	-	-	
- General					
Bulk purchases	(52 314 575)	(56 727 530)	4 412 955	(7.8)	
Contracted Services	(3 317 696)	(3 196 000)	(121 696)	3.8	
Transfers and Subsidies	(4 942 555)	(31 010 523)	26 067 968	(84.1)	
Cost of housing sold	-	-	-	-	
General Expenses	(45 757 429)	(42 611 095)	(3 146 334)	7.4	The increase is due to adjusting housing project expenditure.
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
	(321 507 430)	(310 319 762)	(11 187 668)	3.6	
Other revenue and costs					



# Appendix E(1)

June 2015

## Year to Date

	Current year 2015 Act. Bal.	Current year 2015 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Gain or loss on disposal of assets and liabilities	(381 542)	-	(381 542)	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	(381 542)	-	(381 542)	-
Net surplus/ (deficit) for the year	(198 324 102)	(153 038 706)	(45 285 396)	29.6